That is the issue that is before us. That is what is embodied in H.R. 8.

I suggest that anybody who would want to say something different—whether it is on the minor side, or whether they want to use the politics of the day to deny this to the average American—shame on you. I don't see any good politics in that kind of bad politics.

Mr. REID. Mr. President, I failed to be courteous to my friend from Idaho for allowing me to interrupt. I express my appreciation for his willingness to do that.

Mr. CRAIG. I thank the Senator from Nevada.

RECESS

The PRESIDING OFFICER. Under the previous order, the hour of 12:30 having arrived, the Senate will stand in recess until the hour of 2:16 p.m.

Thereupon, the Senate, at 12:31 p.m., recessed until 2:16 p.m., whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. INHOFE).

The PRESIDING OFFICER. The Senator from Minnesota.

DEATH TAX ELIMINATION ACT—MOTION TO PROCEED

Mr. WELLSTONE. Mr. President, let me, first of all, mention to colleagues when we look at this estate tax bill, the Center on Budget and Policy Priorities—and I think their work has been impeccable—points out that fewer than 1.9 percent of the 2.3 million people who died in 1997 had any tax levied on their estates. We are talking about 1.9 percent.

This repeal that my colleagues on the other side of the aisle are proposing helps the wealthiest 2 percent of Americans. I ask unanimous consent the full study from the Center on Budget and Policy Priorities be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Center on Budget and Policy Priorities, June 21, 2000]

ESTATE TAX REPEAL: A WINDFALL FOR THE WEALTHIEST AMERICANS

(By Iris J. Lav and James Sly)

SUMMARY

On June 9 the House passed legislation that would repeal the federal estate, gift, and generation-skipping transfer tax by 2010. The Senate is expected to consider estate tax repeal in July.

Repealing the estate tax would provide a massive windfall for some of the country's wealthiest families.

In 1997, the estates of fewer than 43,000 people—fewer than 1.9 percent of the 2.3 million people who died that year—had to pay any estate tax. The Joint Committee on Taxation projects that the percentage of people who die whose estates will be subject to estate tax will remain at about two percent for the foreseeable future. In other words, 98 of every 1,000 people who die face no estate tax whatsoever.

To be subject to tax, the size of an estate must exceed $675,000 in 2000. The estate tax exemption is rising to $1 million by 2006. Note than an estate of any size may be bequeathed to a spouse free of estate tax.

Each member of a married couple is entitled to the basic $675,000 exemption. Thus, a couple can effectively exempt $1.35 million from the estate tax in 2000, rising to $2 million by 2006.

The vast bulk of estate taxes are paid on very large estate. In 1997, some 2,400 estate—the largest five percent of estates that were of sufficient size to be taxable—paid nearly half of all estate taxes. These were estates with assets exceeding $5 million. This means about half of the estate tax was paid by the estates of the wealthiest one of every 1,000 people who died.

If the estate tax had been repealed, each of these 2,400 estates with assets exceeding $5 million would have received a tax-cut windfall in 1997 that averaged more than $3.4 million.

As these statistics make clear, the estates of a tiny fraction of the people who die each year—those with very large amounts of wealth—pay the bulk of all estate taxes.

Moreover, a recent Treasury Department study shows that almost no estate tax is paid by middle-income people. Most of the estate taxes are paid on the estates of people who, in addition to having very substantial wealth, still had high incomes around the time they died. The study found that 91 percent of all estate taxes are paid by the estate of people whose annual incomes exceeded $190,000 around the time of their death. Less than one percent of estate taxes are paid by the lowest-income 80 percent of the population, those with incomes below $100,000.

SMALL BUSINESSES AND FAMILY FARMS

Very few people leave a taxable estate that includes a family business or farm. Only six of every 10,000 people who die leave a taxable estate in which a family business or farm forms the majority of the estate.

Nevertheless, it often is claimed that repeal of the estate tax is necessary to save family businesses and farms—that is, to assure they do not have to be liquidated to pay estate taxes. In reality, only a small fraction of the estate tax is paid on small family businesses and farms. Current estate tax law already includes sizable special tax breaks for family businesses and farms.

To the extent that problems may remain in the taxation of small family-owned businesses and farms under the estate tax, those problems could be specifically identified and addressed at a modest cost to Treasury. Wholesale repeal of the estate tax is not needed for this purpose.

Farms and family-owned business assets account for less than four percent of all assets in taxable estates valued at less than $5 million. Only a small fraction of the estate tax is paid on the value of farms and small family businesses.

Family-owned businesses and farms are eligible for special treatment under current law, including a higher exemption. The total exemption for most estates that include a family-owned business is $1.3 million in 2000, rather than $675,000. A couple can exempt up to $2.6 million of an estate that includes a family-owned business or farm.

Still another feature of current law allows deferral of estate tax payments for up to 14 years when the value of a family-owned business or farm accounts for at least 35 percent of an estate, with interest charged at rates substantially below market rates.

Claims that family-owned businesses have to be liquidated to pay estate taxes imply that most of the value of the estate is tied up in the businesses. But businesses or farms constitute the majority of the assets in very few estates that include family-owned businesses or farms. A Treasury Department analysis of data for 1998 shows that in only 776 of the 47,482 estates that were taxable that year—or just 1.6 percent of taxable estates—did family-owned businesses assets (such as closely held stock, non-corporate businesses, or partnerships) equal at least half of the gross estate. In only 642 estates—1.4 percent of the taxable estates—did farm assets, or farm assets and farm real estate, equal at least half of the gross estate.

Furthermore, the law can easily be changed to exempt from the estate tax a substantially larger amount of assets related to family-owned farms or businesses, and this can be done without repealing or making other sweeping changes in the estate tax. When the House considered the estate tax on June 9, Ways and Means Committee ranking member Charles Rangel offered an alternative that would have exempted the first $2 million of a family-owned business for an individual and $4 million for a couple, without requiring any estate planning.

EFFECTIVE ESTATE TAX RATES MUCH LOWER THAN MARGINAL RATES

The estate tax is levied at graduated rates depending on the size of the estate; the highest tax rate is 55 percent. This sometimes leads people to conclude that when someone dies, half of their estate will go to the government.

It normally is not the case, however, that half of an estate is taxed away. Effective tax rates for estates of all sizes are much lower than the marginal tax rate of 55 percent. On average for all taxable estates in 1997, estate taxes represented 17 percent of the gross value of the estate. A combination of permitted exemptions, deductions, and credits, together with estate planning strategies, reduced the effective tax rate to less than one-third of the 55 percent top marginal tax rate.

REPEAL OF THE ESTATE TAX CARRIES A HIGH COST

Repealing the estate tax would be very costly. According to the Joint Committee on Taxation, the House bill would cost $105 billion over the first 10 years, as it phases in slowly. Once the proposal was fully in effect—and the estate tax had been repealed—the proposal would cost about $50 billion a year. The cost of the proposal in the second 10 years—from 2011 to 2020—would be nearly six times the cost for 2001–2010.

Under the House bill, the estate tax would be reduced gradually over the next decade, leading to full repeal in calendar year 2010. Under current law, CBO projects the estate tax will bring in $48 billion a year by 2010.

In the 10 years between 2011 and 2020, the estate tax likely would bring in at least $620 billion under current law. The House bill includes a provision, relating to the valuation of capital assets when a person dies, that would offset a small portion of the revenue loss from repeal of the estate tax. The offsetting revenue gain is likely to be in the range of $5 billion to $10 billion a year.

The net effect of the House bill when fully phased in thus would be a revenue loss likely exceeding half a trillion dollars over 10 years.

The very high cost of repeal would be felt fully in the second decade of this century. That is the period when the baby boomers begin to retire in large numbers, substantially increasing the costs of programs such as Social Security, Medicare, and Medicaid. Repealing the estate tax would subsequently reduce the funds available to help meet these costs and to facilitate reforms of Social Security and Medicare that would extend the solvency of those programs, as well as to meet other priority needs such as improving